

PROGRAM TO STRENGTHEN THE FINANCIAL SECTOR

(TC-99-09-02-4)

EXECUTIVE SUMMARY

Executing agency:	The Central Bank of Honduras [Banco Central de Honduras] (BCH).	
Beneficiaries:	The program beneficiary will be the financial system. At the conclusion of the program, the financial system will have a more complete regulatory and supervisory framework and more efficient governing bodies.	
Objectives:	The objective of the program is to provide support for continuing the financial sector reform process currently being implemented by the Honduran government, and incorporate any applicable international banking and insurance standards.	
Description:	The program has two components: 1) Strengthening of the regulatory and prudential framework of the financial system through the following activities: (a) extend supervision to the non-banking financial institutions in the system; (b) expand the National Banking and Insurance Commission's [Comisión Nacional de Bancos y Seguros] (CNBS) risk center; (c) create a comprehensive system of activities to protect the institutions in the financial sector; (d) integrate the BCH and CNBS information systems with those of the institutions in the financial system; and 2) Strengthening of the training system of the Honduran Association of Banking Institutions [Asociación Hondureña de Instituciones Bancarias] (AHIBA) and the Honduran Chamber of Insurance Companies [Cámara Hondureña de Aseguradoras] (CAHDA) to improve the system's human resources.	
Financing:	MIF (Grant-Facility 1):	US\$1,456,872
	Public sector:	US\$ 618,748
	Private sector:	<u>US\$ 352,500</u>
	Total:	US\$2,428,120
Terms:	Implementation:	36 months
	Disbursement:	42 months
Exceptions to Bank policy:	None.	

**Environmental
and social
review:**

The project was reviewed by the Committee on Environment and Social Impact at its meeting on March 10, 2000.

**Special
contractual
clauses:**

Prior to the first disbursement of the Multilateral Investment Fund (MIF) contribution, the BCH will demonstrate, to the Bank's satisfaction, that: (a) it has signed cooperation agreements with CNBS, AHIBA and CAHDA to participate in the program, under the terms agreed previously with the Bank; (b) it has a plan of action for activities to be carried out in each component in the first year of program implementation; and (c) a coordinator has been designated for each institution taking part in the program.